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No. 543

IN THE

Supreme Court of the United States

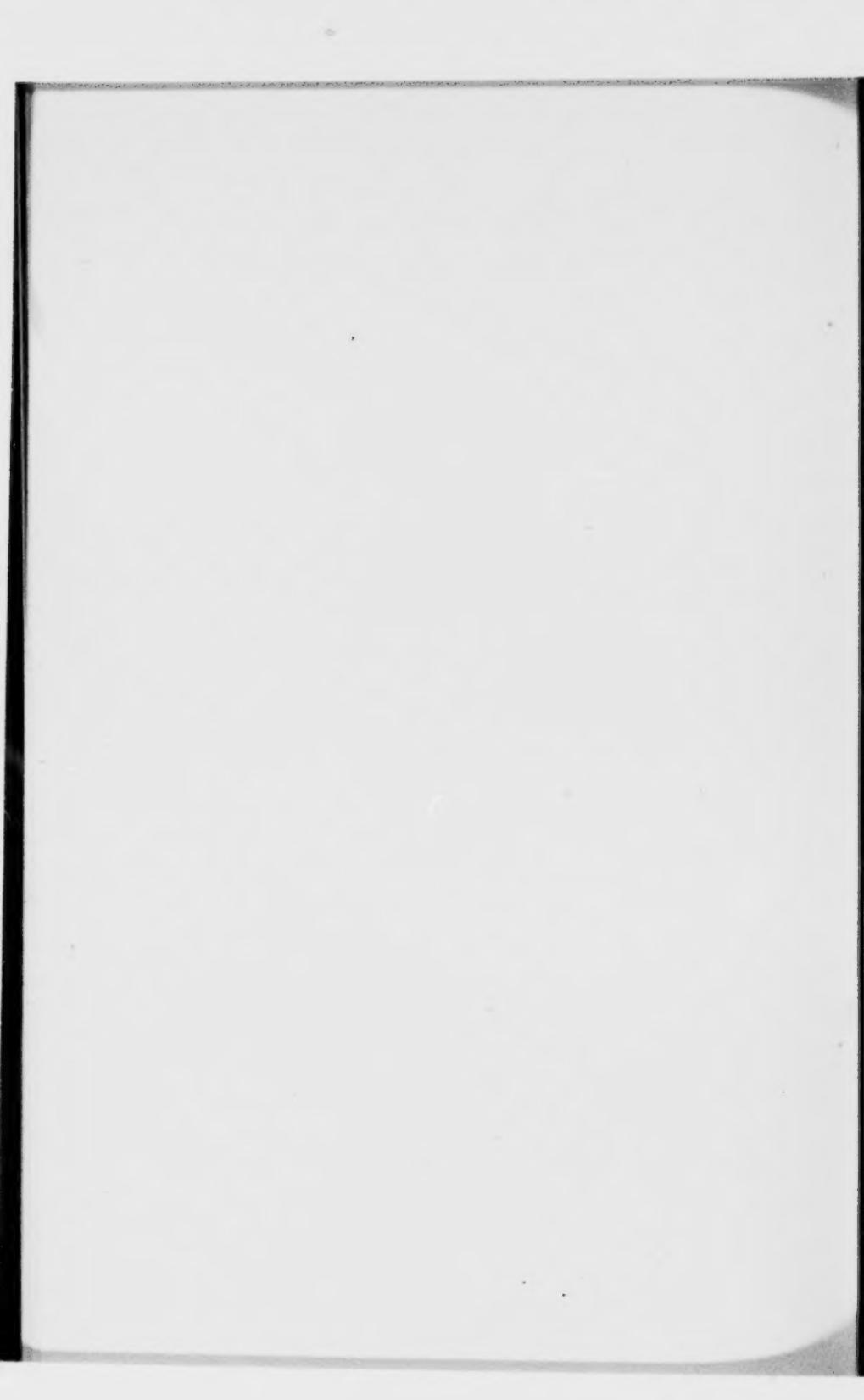
CONSUMERS BREWING COMPANY, Petitioner,

vs:

E. F. PRICHARD COMPANY and  
HEIDELBERG BREWING COMPANY, Respondents.

RESPONSE BRIEF FOR RESPONDENT,  
E. F. PRICHARD COMPANY.

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Counsel for Respondent.



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**RESPONSE BRIEF FOR RESPONDENT,  
E. F. PRICHARD COMPANY.**

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To the Honorable the Supreme Court of the United States:

The petition for writ of certiorari herein and the supporting brief filed by the petitioner, Consumers Brewing Company, gives a short history of the pleadings in this case, but does not make statement of the facts involved. This may be due to the fact that both the District Court and the Circuit Court of Appeals for the Sixth Circuit decided in favor of the respondent, E. F. Prichard Company, "on all of the immporatant issues of fact" (Opinion, Record, p. 360).

While the facts established by the evidence are set out at length in the opinion of the United States Circuit Court of Appeals for the Sixth Circuit, we will for the convenience of the court, since there is no such statement of fact in the petitioner's brief, make a short and summary statement of the facts involved.

### **STATEMENT OF FACTS INVOLVED**

This litigation arose over a dispute as to the ownership of and right to use a trade-mark on beer products known as the "Olde Towne Lamplighter" label in the territory south of the Ohio River.

In 1933, after the repeal of prohibition, E. F. Prichard entered the beer business in Lexington, Kentucky, as distributor. Shortly thereafter he became interested in the prospect of organizing a brewery in Lexington using for such purpose the properties of the Old Lexington Brewing Company, which had not been manufacturing beer since before prohibition. Mr. Prichard, upon investigation, found that these premises were owned by a company, the stock of which was in turn owned, to a large extent, by the members of the Bruckmann family of the Bruckmann Company, a brewing concern located in Cincinnati, Ohio. Mr. Prichard thereupon commenced negotiations with the Bruckmanns in Cincinnati for the purchase of the brew-

ery properties in Lexington. In this way he came in contact with John C. Bruckmann, then the president of the Bruckmann Company, and on March 1st, 1934, Mr. Prichard became associated with the Bruckmann Company, as Manager of its Lexington and southern division. During this time and over the course of more than a year, Mr. Prichard and John C. Bruckmann discussed Mr. Prichard's proposition to open and operate the Lexington Brewery.

On March 1st, 1935, John C. Bruckmann severed his connection with the Bruckmann Company and became General Manager and Vice President, and a few months later the President of the petitioner, Consumers Brewing Company at Newark, Ohio.

Mr. Bruckmann advised Mr. Prichard that the Lexington property was going to be sold by the Bruckmann Company and Bruckmann and Prichard had agreed to go in together to open the Lexington Brewing Company.

Shortly after Bruckmann left the Bruckmann Company, Prichard also discontinued his association with the company and Bruckmann and Prichard entered into business relations as partners in Lexington, Kentucky, for the purpose of engaging in the distribution of beer and beer products throughout Central Kentucky and adjoining states south of the Ohio River.

They first operated under Mr. Prichard's name, but shortly thereafter the partnership took the name of the John C. Bruckmann Company . It was the intention of Bruckmann and Prichard that they would "work into the Lexington Brewing Company". Pending their acquisition of the Lexington Brewing property and the formation of the corporation to be known as the Lexington Brewing Company, at which time they intended to produce their own product, it was their intention to obtain their product from the petitioner, Consumers Brewing Company.

Prior to this time, and in 1934, Prichard conceived the idea of the "Lamplighter design" as a label for beer. He employed an artist to copy a picture which he had found in an old Dickens' novel and had plates made for its reproduction and caused a number of labels to be printed with the picture referred to in the case at bar as the "Lamplighter" design. This design with the words "Olde Towne" affixed to the bottom thereof constitute the trade-mark in question.

In the first part of 1935, Prichard went to the offices of the petitioner, Consumers Brewing Company, at Newark, Ohio, and conferred with Bruckmann. Mr. Prichard showed Bruckmann the new labels with the "Lamplighter" design, and after some talk they decided on the addition "Olde Towne" to the label.

An agreement was then reached that the Consumers Brewing Company was to place this label upon the beer which was being purchased from it by Mr. Prichard and Bruckmann in Kentucky, and that the Consumers Brewing Company would be permitted to use the label on its own beer which it was selling North of the Ohio River, especially in Ohio.

In addition to the label, consisting of the "Lamplighter" design, and the words "Olde Towne", it was agreed that the word "Newark" would be added to the label until such time as the Lexington Brewing Company would be organized and would get into production, at which time the new company would use the same label, except that the word "Newark" would be dropped and the word "Lexington" inserted in its stead for distribution and sale in states south of the Ohio River, and that the petitioner, Consumers Brewing Company, would have the use of the "Olde Towne Lamplighter" label with the word "Newark" thereon for the sale of products by it north of the Ohio River.

In order to protect Mr. Prichard in case something happened, and the plans did not work out, it was agreed that Prichard should have the right to take back his design for his own exclusive use when he wished. On the basis of this agreement, the partnership continued to buy its beer

from the petitioner, Consumers Brewing Company, which was now marked with the "Newark Olde Towne Lamplighter" label until 1938 when the Lexington Brewing Company was incorporated.

The record discloses and it is recognized by the Court that the practice of a concern, in purchasing beer from a brewery and then labeling it and selling it under a different name — sometimes as its own beer — was and is a common method of marketing beer products.

Mr. Prichard was an integral part in the organization of the Lexington Brewing Company and received a large block of stock therein and became Vice President and General Manager. The stockholders and Directors of the Consumers Brewing Company are all shown to have worked together in trying to get the Lexington Brewing Company started, it being recognized that the "Olde Towne Lamplighter" label was to be used by the Lexington Brewing Company on its product for distribution south of the Ohio River whenever it got into production and that Prichard was the owner of the label. Pending the Lexington Brewing Company getting into production, it continued as had its predecessor, the partnership, to purchase its product from the Consumers Brewing Company.

The new Lexington Brewing Company succeeded to the property, personnel and distributing business of the

Prichard-Bruckmann partnership and continued its same business. This beer was purchased outright and not on consignment.

In placing the label in question on the beer to be shipped to the Prichard and Bruckmann partnership, and later to the Lexington Brewing Company, the Circuit Court of Appeals found that the petitioner, Consumers Brewing Company, was acting as agent for the partnership and the Lexington Brewing Company, respectively. (The foregoing statement is condensed from the opinion of the Circuit Court of Appeals Record p. 354, 358.)

In concluding the statement of facts, we quote two paragraphs at length from the opinion of the United States Circuit Court of Appeals for the Sixth Circuit (Record, p. 358-359):

"Here, it may be remarked that the entire association of Prichard with Bruckman and the Consumers Brewing Company, appears, from the evidence, to have arisen out of his desire and plan to procure the premises of the old Lexington Company, manufacture beer therein, and distribute the product of such brewery as Lexington beer. Prichard's first contact with John C. Bruckmann resulted from his proposition to this effect. He entered into partnership with Bruckmann, with the ultimate objective of organizing a company and taking over the Lexington pre-

mises, which were owned by a corporation in which the Bruckmann family had controlling interests. Prichard's origination and design of the Lamplighter label were suggested and inspired by the thought that this would be a successful label to use on beer that his projected company would manufacture and distribute. His agreement with Bruckmann, as representing the Consumers Brewing Company, that the Olde Towne Lamplighter label be attached to the products sold by that company to the partnership for distribution in Kentucky and adjacent states, was for the purpose of building up a clientele through this brand of beer, which would be available when the new Lexington Brewing Company was organized; and Prichard was particular about reserving his right to the use of the label in case such a new brewery was not organized for the manufacture and sale of beer.

Although, as has been mentioned, the new Lexington Brewing Company was organized as a corporation in 1938, it apparently was never able to finance the purchase of the premises of the old Lexington Brewing Company; and, accordingly, the new company never undertook the manufacture of beer. In the latter part of 1939, after some dispute or trouble with others associated in the new company, Prichard left the company and, thereafter, organized a new corporation, called the E. F. Prichard

Company, one of the appellants herein, of which he became president and general manager. This latter company proceed, under the direction of Prichard, to market its beer with the Olde Towne Lamplighter label, south of the Ohio River, predicating its right so to do on the understanding between Bruckmann, as representing the Consumers Brewing Company, and Prichard. Within a few days after leaving the Lexington Brewing Company, Prichard demanded that the Consumers Brewing Company cease using the Lamplighter label."

## ARGUMENT

In seeking issuance of writ of certiorari herein, petitioner insists that the opinion of the Circuit Court of Appeals for the Sixth Circuit is erroneous in certain respects, and is contrary to the decisions of this Honorable Court and to the local laws of the state of Kentucky.

The opinion itself is the best argument against this. The opinion is set out at length in the record, pages 354 to 370.

Petitioner urges that this decision of the Circuit Court of Appeals, in effect, declares that a trade-mark right is a right in gross or at large. (Petition p. 4).

Respondent submits that the opinion makes no such holding. As a matter of fact, the opinion states the law

in this respect exactly opposite from what the petition suggests. The opinion states:

"It may be observed that a trade-mark is not a subject of property except in connection with an existing business or trade. *American Steel Foundries v. Robertson*, 269 U.S. 372. See also, *Caigan v. Plibrico Jointless Firebrick Co.*, 65 F. (2d), 849 (C.C.A.), cert. den., 290 U.S. 668; *Jacobs v. Iodent Chemical Co.*, 41 F. (2d) 637 (C.C.A.3); *Certain-Teed Products Corps. v. Philadelphia & Suburban Mortgage Guarantee Co.*, 49 F. (2d) 114 (C.C.A.3). It has no existence in gross, but is inseparable from good will, and, therefore, appurtenant to the carrying on of a particular business; and it functions only in connection with an existing business. *Continental Corp. v. National Union Radio Corp.*, 67 F. (2d) 938 (C.C.A.7); *Ward Baking Co. v. Potter-Wrightington, Inc.*, 298 F. 398 (C.C.A.1); *Lawrence-Williams Co. v. Societe Enfants Gombault et Cie*, 52 F. (2d) 774 (C.C.A.6), cert. den., 285 U.S. 549; *Andrew Jergens Co. v. Bonded Products Corp.*, 13 F. (2d) 417, cert. den., 275 U.S. 572. Otherwise stated, there is no property in a trade-mark except as a right appurtenant to an established business or trade, when it becomes an element of good will. *Atlas Beverage Co. v. Minneapolis Brewing Co.*, 113 F. (2d) 672 (C.C.A.8)." (Opinion p. 362).

The petitioner insists that the Circuit Court of Appeals held that the license of a naked trade-mark was valid. (Petition p. 4). This assertion is also incorrect for the Sixth Circuit Court of Appeals specifically recognized the correct rule, but held that in this case that the contract was not a mere naked license or mere naked assignment of a trade-mark. The Court said:

"It is true, as contended by appellee, that a naked license to use a trade-mark is of no more validity than a naked assignment thereof. *Lea v. New Home Sewing Machine Co.*, 139 F. 732 (C.C.N.Y.). But a trade name, like a trade-mark, may be assigned, licensed, or lent, as long as it remains associated with the same product or business with which it has become associated in the public mind. An owner of a trade name who lends the use of such a trade name, may resume its exclusive use according to the terms of the lending. *Cardinal v. Taylor*, 302 Mass. 229, 19 N. E. (2d) 58. A manufacturer of a certain commodity, by agreeing to allow the purchaser thereof the use of its trade name for a certain period, did not lose the exclusive right to the name after the expiration of the term; *J. F. Rowley Co. et al. v. Rowley*, 18 F. (2d) 700 (C.C.A. 3); and one may introduce his trade-mark and create a demand for his variety of goods in a new territory, by licenses. *Vermont Maple Syrup Co., Inc., v. Johnson*

Maple Syrup. et al., 272 F. 478 (D. C. Vt.)."

Petitioner also contends that the contract between Prichard and the Consumers Brewing Company was invalid because Prichard dealt with the Consumers Brewing Company through its president and general manager, John C. Bruckmann, whom petitioner contends had a personal interest in the contract, which was to the detriment of the Consumers Brewing Company. In this petitioner is not supported by the facts, as it was disclosed by the evidence and found by the Courts below that the contract was beneficial to the Consumers Brewing Company and that they acted under it and accepted the benefits of it for a number of years, nor does it appear that Bruckmann was the only person connected with the Consumers Brewing Company who knew of the contract, nor was it personally beneficial to Bruckmann.

As stated by the Circuit Court of Appeals (Opinion Record p. 366):

"Bruckmann was president of the Consumers Brewing Company. The contract appears to have been made in the usual course of business and within the scope of his authority. He did not surrender any rights that the company was entitled to, nor subject it to any liability. He contracted for the sale of beer to the partnership. The agreement resulted in several years of substantial and pro-

sperous business for the brewing company — which was not at the time of the agreement in an especially flourishing condition. The Consumers Company had never known of the Lamplighter label before the contract and had never used the name of Olde Towne before that time. Furthermore, as the result of the contract, the Consumers Company received the right to the exclusive use of the important property right in the label as its own for the sale of its product in all area north of the Ohio River. The Consumers Company did not distribute its own products south of that line."

About the only other contention made by the petitioner is that the Circuit Court of Appeals erred in overruling petitioner's motion to dismiss the appeal for want of jurisdiction, and that in so doing it rendered a decision on an important question in conflict with the applicable decisions of this Court.

The order entered on the petition for rehearing seems to us is, in itself, a complete answer to this contention. This order (Record, p. 393) states as follows:

"It appears clear that it was the intent of the court, and the understanding of counsel for all parties, that the decree was suspended and was to take effect only after the court had determined upon the supersedeas bond."

This is an actual fact, and such was the understanding of all concerned.

The District Court entered its own order suspending the judgment until the amount of the supersedeas bond could be determined, and the Court has inherent power over its judgments throughout the term and this goes to the extent that it may vacate, suspend, modify, or change its judgments on the merits. *Suggs v. Mutual Ben. Health & Accident Assn.*, 115 F. (2d) 80; *Bowman v. Loperena, et al.*, 311 U. S. 262, 266.

From all the foregoing, it is respectfully submitted that the opinion of the Sixth Circuit Court of Appeals is not erroneous and is not in conflict with the opinions of this court. The opinion lays down no new or radical proposition of law, nor any proposition of law not in conformity with the general weight of authority, and, therefore, review by this Honorable Court is not necessary in the public interest or for uniformity.

Findings of fact as set out in the opinion of the Circuit Court of Appeals are well supported by the evidence. They disclose that Prichard originated the trade-mark in question; that in the territory south of the Ohio river Prichard was associated with a going business in which he desired, and required, a mark for the product purchased and owned by his company, and sold in that territory; and for that

purpose, by the contract, he arranged to have the Consumers Brewing Company place the trade-mark in question on the beer which he purchased from them, and reserved the trademark in that area for himself.

By that same contract, the petitioner acquired Prichard's design, which they have ever since used and are now using in the territory north of the Ohio River. They also obtained for many years a profitable outlet by sale of beer to Prichard, and his associates south of the Ohio River, and now after having reaped all the benefits of this contract, they decided to retain those benefits and cast aside any rights which Prichard might have under it.

For the Circuit Court of Appeals to have rendered a different decision herein would have permitted Consumers to have accomplished this contrary to the cardinal principle that a person cannot take and keep all of the benefits of a contract and thereafter cast it aside and thus escape its obligations.

It is, therefore, respectfully submitted that the petition for writ of certiorari should be denied.

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KEENON, HUGUELET & ODEAR,  
Lexington, Ky.,  
Counsel for Respondent.

January 4, 1944.